



STATE OF CALIFORNIA
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MEMORANDUM

To: Selvi Stanislaus
From: Mark Shijo
Subject: Form 9 Requests

June 2, 2006

This memo documents our request for Board approval to submit a Space Action Request (Form 9) to the Department of General Services for the following items:

Request to relocate the San Jose District Office to reduce rental costs:

This purpose of this request is to take advantage of considerable savings that could be realized by relocating the San Jose district office from the downtown area to one of the lesser expensive surrounding areas.

The rental rate for the surrounding San Jose area is currently \$1.85 - \$2.15 per usable square foot (SF). FTB is currently paying \$4.32 a SF and occupies 9,893 SF of space in the downtown San Jose area. If FTB relocated the San Jose office from the downtown area to the outlying areas, the resulting annual savings would range from \$252,000 - \$288,000. FTB will have the option to provide notice to the lessor that the District Office will be relocating when the lease ends on May 31, 2007.

Request to renegotiate the lease terms and rental rates for the Chicago District Office:

The renegotiation of this lease allows the department to extend the lease term at a reduced rental rate, resulting in an annual savings to the department.

The Department of General Services (DGS) is requesting FTB to renegotiate the current lease in the Chicago district office to take advantage of a soft real estate market and realize a savings of approximately \$70,000 per year. Per DGS, FTB would not be obligated to extend the lease unless there is a reduction in the monthly rent. If a reduced rent were negotiated, FTB would be obligated to extend the firm term (FTB is obligated to pay rent during the firm term of a lease, even if FTB vacates the property).

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If you have any questions regarding any of the above items, please contact me at 845-6782.

Director, Financial Management Bureau

cc: Titus Toyama
Geoff Way
Debbie Langsea